

**STATUS REPORT
OF THE
PROPERTY TAX REPLACEMENT
STUDY COMMISSION**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789**

September, 2004

Property Tax Replacement Study Commission

Membership Roster

Representatives

**Representative John Frenz, Co-Chair
Vincennes**

**Reprepresentative Eric Turner
Marion**

Senators

**Senator Luke Kenley, Co-Chair
Noblesville**

**Senator Lindel Hume
Princeton**

Lay Members

**Sandra Bickel
Indianapolis**

**Michael Hudson
Indianapolis**

**Jason Shelley
Indianapolis**

**Joe Breedlove
Lebanon**

**Mike Karickhoff
Kokomo**

**Don Strietelmeier
Hope**

**Daniel Clark
Indianapolis**

**Patrick Kiely
Indianapolis**

**John Taylor
Indianapolis**

**Amy Corsaro
Indianapolis**

**Joseph Loftus
Carmel**

**Thomas Taylor
Indianapolis**

**Deborah Driskell
Fishers**

**Joseph Minnis
W. Terre Haute**

**Mayor Ernie Wiggins
Warsaw**

**Lester J. Fox
South Bend**

**Daniel Philpott
Indianapolis**

**Louis Zickler
Greenwood**

**Phil Hoy
Evansville**

**Bill Roach
Brownsburg**

Legislative Services Agency Staff

**Diane Powers, Fiscal Analyst
Jim Landers, Fiscal Analyst
Dagney Faulk, Fiscal Analyst
Chuck Mayfield, Fiscal Analyst
Adam Brown, Fiscal Analyst**

**Bob Bond, Attorney
George Angelone, Attorney
John Rowings, Attorney**

September, 2004

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Commission can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

STATUS REPORT

Property Tax Replacement Study Commission

I. STATUTORY DIRECTIVE

The Indiana General Assembly enacted legislation (P.L. 64-2004) directing the Commission to study the following proposals:

- (1) Eliminating approximately 50% of net property tax levies;
- (2) Eliminating approximately 75% of net property tax levies;
- (3) Eliminating approximately 100% of net property tax levies.

The legislation also required that the Commission identify revenue sources capable of replacing property taxes and providing sufficient revenue to maintain essential government services.

II. INTRODUCTION

The Commission has met six times during the 2004 interim session: April 27th, May 17th, June 18th, July 28th, August 16th, and September 15th. The minutes from the first three meetings were attached to the July Status Report, and the minutes for the last three meetings are attached to the September Status Report. At these meetings the Commission has received reports and testimony regarding:

1. The status of reassessment.
2. Compilation of parcel-level data and tax shift analysis by Legislative Services Agency.
3. Legal issues regarding the elimination of property taxes.
4. The Indiana Fiscal Policy Institute's ongoing Property Tax Equalization Study.
5. Estimates of the school general fund, county welfare, and county courts net levies.
6. Estimates of the business personal property net levies, and local option sales and income taxes to replace these levies.
7. Options for increasing state taxes to replace 50%, 75%, and 100% of net property tax levies, and the impact of the changes on state tax rates.
8. The cost of local government administration.
9. Property tax circuit breakers for homeowners.
10. Property tax assessment administration issues.

The Commission also established five working groups that have met and are developing information relating to specific tax and administrative cost issues. The working groups and a general description of their work are as follows:

1. Property Tax Administrative Issues - estimating the cost of reassessment and the continuing cost of the assessment system.
2. Local Government Services - investigating models (i.e., interlocal cooperative agreements) that might be employed to reduce cost of government services.
3. Long Term Debt Issues - investigating the potential impact of changing debt service funding from property tax to an alternative revenue source.
4. Other Tax Systems - investigating tax structures and tax relief mechanisms used by other states, in particular, surrounding states.
5. Property Tax Levies and Controls - investigate the different sources of replacement

revenue and implications of using these sources to replace property taxes.

In addition, Commissioners were asked to create their own plans to increase various state taxes as a means of replacing 50% of the statewide net property tax levy. These plans were submitted to the Chairman and discussed at the September 15th Commission meeting.

Meeting minutes for the Commission can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.